

Four top trends to watch

Addressing cybersecurity and developing an agile workforce will be key for future success.

When it's time for your next strategic planning session, what will be on the agenda when planning for your credit union's future?

The 2021-2022 CUNA Environmental Scan explores trends shaping the future of the credit union industry and provides insights that will allow credit unions to make intelligent decisions.

Here are four of those trends:

Financial well-being for all

The credit union movement operates under a significant and growing threat of changes to its tax status and regulatory reforms that could greatly impede its ability to serve members.

Meeting these challenges head-on will require a movement-wide commitment to both better communicate what we do for our members and better measure the impact we have on members' lives.

Collectively, we need to do this more often, more consistently, and with more detail. That's important today—but it will be even more important in the coming months and years.

"Credit unions care deeply about members' financial situations and money choices. We strive to provide all with financial security and freedom of choice," says Mike Schenk, CUNA's chief economist and deputy chief advocacy officer. "That's what financial well-being is all about. It's at the heart of credit union mission and structure."

IT security: CISOs, ransomware, and people power

The past year saw credit unions addressing new cybersecurity challenges created by the coronavirus (COVID-19) pandemic realities of remote work, closed branch lobbies, and skyrocketing adoption of digital channels and tools.

The pressure continues to build in more established problem areas: the prospect of litigation, a shortage of qualified cybersecurity talent, and oversight of how vendors and partners are protecting and using credit union data.

"CREDIT UNIONS care deeply about members' **FINANCIAL SITUATIONS** and money choices."

Mike SCHENK

The reality that virtually every credit union process and role has a cyber component emphasizes the importance of cybersecurity in decision-making and strategy.

"Cybersecurity concerns are here to stay," says Carlos Molina, senior risk consultant with CUNA Mutual Group. "There's no foolproof way to prevent these attacks from occurring, but you can minimize the risks with the right information technology security and risk management procedures. Focus on C-suite leadership, ransomware, and people and processes to improve security at your credit union."

QUICK TAKE for your next board meeting

Consumers' top financial concerns

While the coronavirus (COVID-19) pandemic ravaged the U.S., nearly half of consumers worried about their ability to pay their bills. According to research from CUNA Mutual Group, the ability to pay expenses was consumers' biggest financial worry, followed by job/income security and retirement.

Top concerns (November 2020)



Source: CUNA Mutual Group

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The agile workforce

The pandemic elevated the importance of human resources (HR) to become the "brain and heart" of credit unions as COVID-19 upended business practices, says Brandi Stankovic, EdD., chief strategy officer/chief operations officer for CU Solutions Group.

Key lessons include how people analytics can save lives and that organizations can shift overnight in response to environmental demands.

How your HR department responded to an abrupt virtual environment, life-shattering experiences for employees, and the navigation of social, racial, and political divides built a socio-economic system that will forever change the nature of work and the path forward.

"Even when the smartest people provide the most well-designed plans, there's still no guarantee they will work," Stankovic says. "No one is certain how the COVID-19 aftermath will ultimately change our workplace, but we can all agree on one thing: we are forever changed."

Advocacy: The new reality

The party in power sets the legislative agenda, which means Democrats will control what legislation can be brought to the House and Senate floors.

House-passed legislation is more likely to get consideration by the Senate, and legislation that passes the Senate will have a much greater likelihood of becoming law.

Recovery from the COVID-19 pandemic and restart of the economy are the top priorities. Early initiatives will be tied to these efforts. There may be opportunities to expand powers or acquire additional tools for credit unions, but credit unions must be on guard for provisions that add regulatory burden.

"Without question, the new political environment will present significant challenges," says Ryan Donovan, CUNA's chief advocacy officer. "But we will work to take advantage of what we expect will be incredible opportunities to revolutionize the operating environment for credit unions."

Boosting the bottom line

Credit unions' noninterest income takes a hit during the pandemic.

Some credit unions experienced a 25% to 40% drop in nonsufficient fund (NSF) and overdraft fee income during the coronavirus (COVID-19) pandemic, according to participants in a CUNA Finance Council chat session.

That's due largely to fee waivers designed to assist members experiencing financial difficulties due to COVID-19. As the economy improves and operations begin to return to pre-pandemic levels, some credit unions have resumed charging fees while others continue to offer fee waivers.

In addition, rising deposits—in part spurred by three rounds of stimulus checks—have caused NSF fee income to drop, participants say.

Credit unions are combating falling fee income by:

- ▶ **Restructuring** fees around member engagement programs that include benefits such as high-interest checking and fraud protection.
- ▶ **Charging** fees for paper statements.
- ▶ **Encouraging** electronic transactions with fee waivers for conducting a certain number of transactions electronically each month.
- ▶ **Renegotiating** contracts with vendors, including card processors, to earn bonuses and discounts.
- ▶ **Offering** Paycheck Protection Program loans.
- ▶ **Exploring** loan participations.
- ▶ **Selling** 30-year mortgages to the secondary market while retaining 15-year mortgages.
- ▶ **Offering** digital wallets.

Members who use digital wallets love them, says one chat participant. "The key is prompting members to use credit union plastic as the first card in the wallet."

Credit unions' falling net income*



* In basis points
Source: CUNA



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JUNE 6, 2024



Build a solid knowledge of credit union financials

CUNA

Credit Union Finance for Boards & Committees

eSCHOOL (RECORDED)

Board and committee members who are looking to gain a better understanding of their financial responsibilities at the credit union and want to satisfy their NCUA requirement for financial literacy should attend this 6 session eSchool.

By attending, board members will also leave with the CUNA Credit Union Board Financial Literacy Certificate.

2021-2022 CUNA Environmental Scan
is available in these formats:



Report PDF: comprehensive report; combines industry insights with expert analysis



PowerPoint: complements the full PDF report; provides clear representation of data and takeaways to help you speak to the content for meetings and planning sessions



Streaming Video: complements the full report and adds analysis, insights, context and background from chapter authors



Invaluable insights on trends that affect credit unions

CUNA Environmental Scan

Get the insights you need to make informed strategic decisions with 2021-2022 CUNA Environmental Scan (E-Scan).

CUNA E-Scan combines trends across industries, expert analysis and forecasting data to provide strategic planning guidance for credit unions. Insights are organized into 10 trend-based chapters and provide actionable takeaways from industry experts and practitioners. Gain the knowledge you need to make timely, future-focused decisions that keep your credit union agile and ready to meet member needs.

Women have a 'seat at the table'

Study finds 33% of credit union board members are female.

Fifty-one percent of credit union CEOs and 33% of board members are women, according to "Women in Credit Union Leadership," a CUNA issue brief that examines women's representation in leadership positions at credit unions compared to commercial banks.

"Women are significantly under-represented in executive positions across all industries, particularly within the financial services sector," says Samira Salem, CUNA vice president of diversity, equity, and inclusion (DEI).

"America's credit unions are bucking this trend, and our research shows that women not only have a seat at the table, they also play a major role in the financial success of the institution," she says.

Some key findings from the study:

- ▶ **Credit unions** are more than 15 times more likely than banks to have female CEOs (51% vs. 3%).
- ▶ **13% of CEOs** at credit unions with \$1 billion to \$5 billion in assets are women, versus only 2% of bank CEOs.
- ▶ **Female CEOs** are relatively more common at smaller banks and smaller credit unions.
- ▶ **Credit union** board members are roughly twice as likely to be women compared to bank boards (33% vs. 16%).
- ▶ **Nine percent** of credit unions have no women on their boards, compared to 13% of banks.

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Samira Salem

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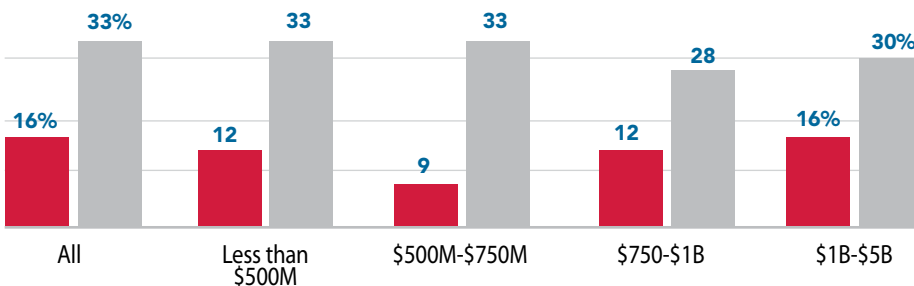
CUNA economists sampled 163 publicly traded commercial banks with less than \$5 billion in assets to compare with credit unions.

CUNA published a similar issue brief in 2018, which also reflected higher participation among women in leadership roles at credit unions compared to other financial institutions.

"The COVID-19 pandemic has pushed nearly three million women out of the workforce, and women in senior management have been among the hardest hit," Salem says. "Our industry is working diligently to provide opportunities for women to remain employed and to achieve equity as they move toward the C-suite.

"We are also encouraged by the number of women who serve on the boards of their local credit unions," she continues. "While we are encouraged by our findings, we also know there is more work to be done and we, as a movement, are committed to doing more."

Women's representation on boards: banks vs. credit unions



Source: NCUA, SEC, IRS 990, CUNA

■ Banks ■ Credit unions

Resources



▶ **CUNA board and committee solutions:**
cuna.org/board



▶ **CUNA Environmental Scan resources:**
cuna.org/escan



▶ **CUNA Board of Directors Community:**
community.cuna.org



▶ **CUNA Councils:**
cunacouncils.org

'Dream boldly' to shape the future

"Endless questions" lead to effective board service, new director says.

Nick Etscheid volunteers his leadership to be part of "cooperative communities that dream boldly."

That goal is drawn from the vision statement of \$690 million asset Verity Credit Union in Seattle, where 28-year-old Etscheid serves on the board of directors. Finding a credit union whose vision matched his own was essential for Etscheid, who has been a credit union member since he was a teenager.

Etscheid's volunteer service at Verity began with a call to CEO John Zmolek, which led Etscheid to be appointed as an associate director in 2019. He also served on two committees and was elected to the board in 2020.

The associate board experience allowed Etscheid to prepare for the responsibilities he'd have as a full board member and to work effectively with the group.

"You can find your voice and learn at the same time," he says.

Etscheid sees his involvement with Verity as an opportunity to serve the local community, which contrasts with his international focus as an expansion manager at Amazon Network Services. Yet both organizations share important qualities.

"Amazon's core tenet is to focus on the customer experience, which Verity calls the member experience," Etscheid says. "They're incredibly similar. You're looking at everything through the lens of how to help the member."

Etscheid, who has a degree in finance, praises the associate director program for allowing him to collaborate with other young professionals and "ask endless questions."

"That level of questioning is essential for understanding the credit union, and it can give you a sense of whether you're in the right spot as a board volunteer," he says. "It's critical to ramping up and being able to serve as an effective board member."

Etscheid chairs Verity's technology committee and serves on the finance committee. In both roles, he insists on "the use and adoption of data" to

make clear assumptions for new initiatives, assess outcomes, and learn from experience.

Books like "The New Deal: A Modern History" provide inspiration. President Franklin D. Roosevelt's administration engaged in constant experimentation to craft the New Deal and help the nation recover from the Great Depression.

Etscheid notes that Verity was founded in 1933 as Postal Employees Credit Union #8, which means its roots are in that era.

"By being bold and experimenting, the Roosevelt administration was able to build some of the best programs we have in this country," Etscheid says, citing the Social Security Administration and Federal Deposit Insurance Corp. as examples.

"It's hugely inspiring to know that nothing is perfect in the process, but experimentation is critical," he says. "Being bold enough to experiment is critical for the future of the credit union movement."

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Nick Etscheid



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